

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other	Local Government Name Washtenaw County 800 MHz Communications Consortium	County Washtenaw
Audit Date 12/31/04	Opinion Date 3/4/05	Date Accountant Report Submitted to State: 3/16/05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

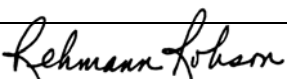
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

**WASHTENAW COUNTY 800 MHz
COMMUNICATIONS CONSORTIUM**

Ann Arbor, Michigan

FINANCIAL STATEMENTS

For The Year Ended December 31, 2004



REHMANN ROBSON

Certified Public Accountants

**WASHTENAW COUNTY 800 MHz
COMMUNICATIONS CONSORTIUM**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Basic Financial Statements For the Year Ended December 31, 2004	
Statement of Net Assets and Governmental Fund Balance Sheet	2
Statement of Activities and Governmental Fund Revenue, Expenditures and Changes in Fund Balance	3
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	4
Notes to Financial Statements	5-8

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



Independent Auditors' Report

March 4, 2005

To the Board of Directors
Washtenaw County 800 MHz
Communications Consortium
Ann Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of the **WASHTENAW COUNTY 800 MHz COMMUNICATIONS CONSORTIUM** as of and for the year ended December 31, 2004, which collectively comprise the Consortium's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the **Washtenaw County 800 MHz Communications Consortium** as of December 31, 2004, and the respective changes in financial position thereof, and the budgetary comparison for the major fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, the Consortium has implemented a new financial reporting model, as required by the provisions of GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2004.

The Consortium has not presented management's discussion and analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

Washtenaw County 800 MHz Communications Consortium
Statement of Net Assets and Governmental Fund Balance Sheet
December 31, 2004

	Special Revenue Fund	Adjustments	Governmental Activities
Assets			
Cash and pooled investments	\$ 206,696	\$ -	\$ 206,696
	<u>206,696</u>		
Liabilities			
Accrued liabilities	\$ 1,140	-	1,140
		<u>-</u>	<u>1,140</u>
Fund balance / net assets			
Unreserved / unrestricted	205,556	\$ -	\$ 205,556
	<u>205,556</u>	<u>-</u>	<u>205,556</u>
Total liabilities and fund balance	<u>\$ 206,696</u>		

The accompanying notes are an integral part of these financial statements.

Washtenaw County 800 MHz Communications Consortium
Statement of Activities and Governmental Fund Revenue,
Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2004

Program revenue

Intergovernmental - local	\$ 263,961
Interest revenue	<u>5,568</u>
Total program revenue	<u>269,529</u>

Expenditures / expenses

Salaries and fringes	19,464
Consultants and contracts	188,572
Equipment rental	<u>6,800</u>
Total expenditures / expenses	<u>214,836</u>

Change in fund balance / net assets	54,693
-------------------------------------	--------

Fund balance / net assets, beginning of year	<u>150,863</u>
--	----------------

Fund balance / net assets, end of year	<u><u>\$ 205,556</u></u>
---	---------------------------------

The accompanying notes are an integral part of these financial statements.

Washtenaw County 800 MHz Communications Consortium
Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - Special Revenue Fund
For the Year Ended December 31, 2004

	Original / Final Budget	Actual	Variance with Final Budget + (-)
Revenue			
Intergovernmental - local	\$ 264,320	\$ 263,961	\$ (359)
Interest revenue	3,000	5,568	2,568
	<u>267,320</u>	<u>269,529</u>	<u>2,209</u>
Expenditures			
Salaries	30,800	19,464	11,336
Consultants and contracts	184,644	188,572	(3,928)
Equipment rental	6,825	6,800	25
	<u>222,269</u>	<u>214,836</u>	<u>7,433</u>
Net change in fund balance	45,051	54,693	9,642
Fund balance, beginning of year	<u>150,863</u>	<u>150,863</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 195,914</u></u>	<u><u>\$ 205,556</u></u>	<u><u>\$ 9,642</u></u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY 800 MHz COMMUNICATIONS CONSORTIUM

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Washtenaw County 800 MHz Communications Consortium (the “Consortium”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of Consortium’s accounting policies are described below:

A. Reporting Entity

The Washtenaw County 800 MHz Communications Consortium is a separate legal entity, formed by Washtenaw County and the State of Michigan pursuant to the Urban Cooperation Act (Public Act 7 of 1967). The Consortium’s primary focus is to provide for the ownership, governance, and management of a public safety/public service communications system that delivers reliable, interoperable wireless communications throughout Washtenaw County for its subscribing members.

B. Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the Consortium uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance. The major governmental fund is reported as a separate column in the aforementioned financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Consortium considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

WASHTENAW COUNTY 800 MHz COMMUNICATIONS CONSORTIUM

Notes To Financial Statements

Revenue from contributions from local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Consortium reports the following major governmental fund:

Special Revenue Fund

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes. The special revenue fund used by the Consortium is used to record its general operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

D. Budgets

The Consortium's special revenue fund is under formal budgetary control. The budget shown in the financial statements was adopted on a basis consistent with generally accepted accounting principles and consists only of those amounts contained in the formal budget approved by the Consortium Board of Directors.

E. Cash and Cash Equivalents

Amounts reported as cash and cash equivalents include amounts on hand and amounts held by the Washtenaw County Treasurer in the County's pooled cash management accounts.

State statutes require all money, negotiable instruments, securities or any other thing of value to be deposited with the treasurer of the local unit.

F. Fund Equity

Reservations of fund balance, if any, represent amounts that are not appropriable or are legally segregated for a specific purpose. The unreserved fund balance in the special revenue fund represents amounts available for future appropriations.

WASHTENAW COUNTY 800 MHz COMMUNICATIONS CONSORTIUM

Notes To Financial Statements

2. CASH AND CASH EQUIVALENTS

The Consortium is authorized to deposit or invest in any accounts or institutions as permitted by State statutes. However, because of favorable terms, the Consortium has chosen to participate solely in Washtenaw County's pooled cash management accounts, which are managed by the Washtenaw County Treasurer. The funds held in the Treasurer's pooled accounts are deposited by, and in the name of, the Washtenaw County Treasurer. County funds are also deposited in those accounts and, as such, because of the complexities of FDIC Regulation #330.8, it is not possible to readily determine the amount of insurance that would be allocated to the Consortium's deposits. Information regarding Washtenaw County's cash management pool may be obtained by writing to Washtenaw County, P.O. Box 8645, Ann Arbor, Michigan 48107-8645.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated. The approved budget of the Consortium was adopted on a line item basis. Excess of expenditures over appropriations is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Consultants and contracts	\$ 184,644	\$ 188,572	\$ (3,928)

The over-expenditure was funded by higher than expected current revenues and under-expenditures in other lines.

4. NEW ACCOUNTING PRONOUNCEMENT

As of and for the year ended December 31, 2004, the Consortium implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

WASHTENAW COUNTY 800 MHz COMMUNICATIONS CONSORTIUM

Notes To Financial Statements

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Consortium was required to implement the new requirements no later than the fiscal year ending December 31, 2004.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;

No restatements of beginning net assets in the government-wide financial statements were required as a result of implementing these pronouncements for the fiscal year ended December 31, 2004.

* * * * *